

Message Text

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ACTION TRSE-00

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USADB

FOR NAC AGENCIES

E O 11652: DECLAS 9/30/74

TAGS: EAID, EFIN, SN

SUBJ: REASSESSMENT OF SINGAPORE INTERNATIONAL AIRPORT PROJECT

SUMMARY: ADB MANAGEMENT PROPOSES THAT BOARD OF DIRECTORS AGREE TO BANK RECOMMENDATION TO CONTINUE TO EXTEND FINANCIAL ASSISTANCE FOR SINGAPORE INTERNATIONAL AIRPORT PROJECT, AS ORIGINALLY APPROVED, WHICH WAS LOAN OF US\$20.5 MILLION FROM ORDINARY CAPITAL RESOURCES, INCLUDING \$17.94 MILLION AS FOREX REQUIREMENT AND \$2.56 MILLION FOR INTEREST AND OTHER CHARGES DURING CONSTRUCTION. INCREASES IN SIZE OF VARIOUS COMPONENTS INCLUDED IN PROJECT DUE TO CHANGING REQUIREMENTS AND PRICE ESCALATION HAVE RESULTED IN RE-SHAPING OF PROJECT AND SIGNIFICANT COST OVERRUN. GOVT OF SINGAPORE WILL FINANCE FROM ITS OWN FUNDS ALL COST INCREASES REQUIRED TO COMPLETE REVISED PROJECT. USADB
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DOES NOT PROPOSE TO OBJECT TO RECOMMENDATION.

1. ADB DOC R58-74 DESCRIBING REASSESSMENT OF SINGAPORE INTERNATIONAL AIRPORT DEVELOPMENT PROJECT BEING POUCHED ADDRESSEES JUNE 20. RECOMMENDATION THAT BANK CONTINUE TO EXTEND FINANCIAL ASSISTANCE FOR PROJECT, AS ORIGINALLY APPROVED, WILL BE DEEMED TO HAVE BEEN APPROVED IF NO OBJECTION IS MADE BY BOARD MEMBERS ON OR BEFORE JULY 5, 1974.

2. LOAN OF \$20.5 MILLION FOR SUBJECT PROJECT, INCLUDING \$17.94 MILLION COVERING FOREX COST AND \$2.56 MILLION FOR INTEREST AND OTHER CHARGES DURING CONSTRUCTION, WAS APPROVED BY BOARD OF DIRECTORS NOV 24, 1970. TOTAL COST OF PROJECT WAS ESTIMATED AT \$34.7 MILLION TO COVER COST OF FOLLOWING FACILITIES: LAND ACQUISITION; EXTENSION OF EXISTING RUNWAY; PROCUREMENT OF FIRE AND RESCUE EQUIPMENT; PROCUREMENT OF COMMUNICATIONS AND NAVIGATIONAL AIDS; ENGAGEMENT OF CONSULTANTS: CONSTRUCTION OF PASSENER TERMINAL BUILDINGS AND ANCILLARY ROAD SYSTEM; AIRCRAFT PARKING APRONS; AIR FREIGHT TERMINAL BUILDING; JUMBO JET MAINTENANCE HANGAR; AND FIRE AND RESCUE STATION.

3. AT TIME OF PROJECT APPRAISAL, GOVT'S PUBLIC WORKS DEPT (PWD) WAS EXPECTED TO ASSUME MAJOR RESPONSIBILITY FOR DETAILED ENGINEERING DESIGN AND CONSTRUCTION SUPERVISION, WITH ASSISTANCE FORM FOREIGN CONSULTANTS IN SPECIALIZED FUNCTIONS, E.G., TERMINAL BUILDING LAYOUT, BAGGAGE HANDLING, ACOUSTICS, ETC. HOWEVER, DUE TO PWD STAFF'S COMMITMENT TO OTHER PROJECTS, WHICH ONLY BECAME APPARENT LATER ON, GOVT AFTER TEN MONTHS DELAY, WITH BANK CONCURRENCE, ENGAGED SERVICES OF NORTHROP AIRPORT DEVELOPMENT CORP (NADC) TO UNDERTAKE, WITH PWD'S ASSISTANCE, DETAILED ENGINEERING DESIGN OF CIVIL WORKS COMPONENT AND REVIEW OF TRAFFIC PROJECTIONS AND MASTER PLAN CONCEPT PROPOSED IN MARCH 1969 BY CONSULTING FIRM SCOTT WILSON KIRKPATRICK AND PARTNERS (SWK) ENGAGED BY GOVT.

4. NADC FOUND THAT SOME UNANTICIPATED CHANGES IN AIR TRAFFIC GROWTH, SIZE OF AIRCRAFT AND AVAILABILITY OF LAND AT AIRPORT SITE HAD TAKEN PLACE SINCE MASTER PLAN WAS LIMITED OFFICIAL USE

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PREPARED AND PROJECT WAS APPRAISED BY BANK. NADC RECOMMENDED REMOTE AIRCRAFT PARKING CONCEPT INSTEAD OF FIXED GATE CONCEPT AND INCREASES IN SIZES OF VARIOUS FACILITIES INCLUDING PASSENGER TERMINAL BUILDING, AIRCRAFT PARKING APRON, JUMBO JET MAINTENANCE HANGAR, AIR FREIGHT TERMINAL BUILDING AND FIRE STATION TO MEET INCREASED SPACE REQUIREMENTS. DUE TO DELAYS IN CONSULTANT'S RECRUITMENT AND TO LONGER TIME NECESSARY FOR CONSTRUCTION

OF PASSENGER TERMINAL BUILDING, IT IS NOW ANTICIPATED THAT, INSTEAD OF PROJECT BECOMING OPERATIONAL IN 1975 AND CATERING TO TRAFFIC UNTIL 1982, IT WILL BE COMPLETED IN 1978 AND WILL MEET TRAFFIC REQUIREMENTS UNTIL 1985. COMPONENTS TO MEET 1983 TO 1985 NEEDS INCLUDE CONSTRUCTION OF SECOND RUNWAY.

5. TOTAL COST OF FACILITIES TO SATISFY TRAFFIC NEEDS UNTIL 1982 HAS INCREASED FROM \$34.7 MILLION TO \$80.3 MILLION. FOR FACILITIES BEING IMPLEMENTED NOW TO SATISFY 1983 TO 1985 NEEDS, TOTAL COST IS ESTIMATED AT \$63.1 MILLION. THIS MAKES TOTAL COST OF PROJECT THAT GOVT INTENDS TO IMPLEMENT \$143.4 MILLION. FACTORS LEADING TO COST INCREASES UPWARD REVISION IN TRAFFIC PROJECTIONS, SIGNIFICANTLY HIGHER CONSTRUCTION COST EXCALATIONS DURING PAST FEW YEARS, DELAY IN PROJECT IMPLEMENTATION, ITEMS UNFORESEEN AND UNDERSIZING OF SOME FACILITIES DURING PROJECT APPRAISAL, AND INCLUSION OF COMPONENTS TO MEET REQUIREMENTS TO 1985.

6. IMPLEMENTATION OF COMPONENTS OF PROJECT FINANCED UNDER BANK LOAN IS PROCEEDING SATISFACTORILY AND INCLUDES LAND ACQUISITION, EXTENSION OF EXISTING RUNWAY AND PROCUREMENT OF FIRE AND RESCUE AND NAVIGATIONAL AID EQUIPMENT. EXCEPT FOR AREA SURVEILLANCE RADAR WHICH IS ANTICIPATED TO BE OPERATIONAL IN LATE 1976, ALL COMPONENTS ARE EXPECTED TO BE OPERATIONAL BY MID-1974.

7. GOVT HAS APPROVED REVISED SCOPE OF PROJECT AND HAS ASSURED THT ADDITIONAL APPROXIMATELY \$125.5 MILLION COST TO COMPLETE PROJECT WILL BE FINANCED FROM ITS OWN RESOURCES. PROJECT WITH REVISED SCOPE IS CONSIDERED FINANCIALLY AND ECONOMICALLY VIABLE. REVISED SCOPE OF ORIGINALLY LIMITED OFFICIAL USE

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FINANCED BANK PROJECT TO SATISFY AIPPORT NEEDS UNTIL 1982 YIELDS FINANCIAL AND ECONOMIC RATES OF RETURN OF 17.7 AND 34.8 PERCENT, RESPECTIELY. COMPARABLE RATES OF RETURN ON PROJECT TO MEET 1985 NEEDS ARE ESTIMATED AT 10.2 AND 30.3 PERCENT, RESPECTIVELY. USADB SUPPORTS PROPOSAL THAT BANK CONTINUE TO EXTEND FINANCIAL ASSISTANCE AS ORIGINALLY APPROVED, WHICH WAS \$20.5 MILLION ORDINARY CAPITAL RESOURCE LOAN WITH 25-YEAR AMORTIZATION INCLUDING 5-YEAR GRACE PERIOD. USADB DOES NOT PROPOSE TO OBJECT TO RECOMMENDATION.
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